

Golden State Sanwa Bank

300 Montgomery Street
San Francisco, California 94104
(415) 397-6000

9-285A099

10881

RECORDATION NO. Filed 1425

OCT 12 1979 - 2 35 PM

INTERSTATE COMMERCE COMMISSION

October 10, 1979

Interstate Commerce Commission
Interstate Commerce Building
Washington, D. C. 20044

OCT 12 1979

Date 50.00
Fee \$

ICC Washington, D. C.

Re: Security Interest of Golden State Sanwa Bank

Ladies and Gentlemen:

You are hereby requested to record the enclosed Security Agreement, of which there is one original and two counterparts thereof. Enclosed is a check in the amount of \$50.00 to cover your recordation fee.

Under the Security Agreement, Norman L. Chapman, whose address is 32 Sunshine Avenue, Sausalito, California 94965, grants a security interest in the equipment hereinafter described in this letter to the Golden State Sanwa Bank, a California state banking corporation, whose address is 300 Montgomery Street, San Francisco, California 94104.

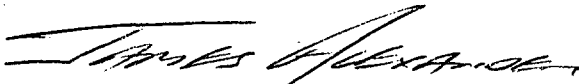
The Security Agreement relates to the railway equipment consisting of RUSX 265, RUSX 266, RUSX 267 and TGOX 2136.

When recorded, the document should be returned to:

Golden State Sanwa Bank
300 Montgomery Street
San Francisco, California 94104

Attn: James A. Alexander

Very truly yours,



James A. Alexander
Assistant Vice President

JAA:me

RECEIVED
OCT 12 2 31 PM '79
FEE OPERATION BR.
I.C.C.

Donna Lilly
Donna Lilly

Interstate Commerce Commission
Washington, D.C. 20423

10/12/79

OFFICE OF THE SECRETARY

James A. Alexander
Golden State Sanwa Bank
300 Montgomery Street
San Francisco, Calif. 94104

Dear

Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/12/79 at 2:35pm, and assigned recordation number(s). 10881

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

SECURITY AGREEMENT

OCT 12 1979 - 2 35 PM

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT is made and dated this 10th day of OCTOBER, 1979, by and between GOLDEN STATE SANWA BANK, a California banking corporation ("Secured Party") and NORMAN L. CHAPMAN, an individual ("Debtor").

RECITALS

A. As security for the payment and performance of its obligations to Secured Party under this Security Agreement, it is the intent of Debtor to grant to Secured Party and to create a security interest in certain property of Debtor, as hereinafter provided.

B. This Security Agreement is entered into as security for the indebtedness of Debtor to Secured Party as evidenced by a promissory note of even date herewith in the principal amount of One Hundred Thirty-Four Thousand Dollars (\$134,000.00) (the "Note") and the Commitment Letter from the Secured Party to Debtor dated September 7, 1979 ("Letter").

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration; the receipt and adequacy of which are hereby acknowledged, Debtor hereby agrees as follows:

1. Grant of Security Interest. Debtor hereby grants to Secured Party a security interest in the property described in Paragraph 2 below (collectively and severally, the "Collateral") to secure payment and performance of the obligations of Debtor to Secured Party described in Paragraph 3 below (collectively and severally, the "Obligations").

2. Collateral. The Collateral shall consist of the following:

A. Equipment. Four (4) rail cars, as more particularly described in Exhibit A attached hereto, any and all additions or accessions thereto, any substitutions therefor and any proceeds thereof (the "Equipment").

B. All accounts, contract rights, instruments, and other rights of Debtor with respect to the Equipment, including but not limited to, any and all leases of the Equipment; the Management Agreement dated _____ with respect to the Equipment between Debtor and United States Rail Services, Inc., a California corporation ("Management Agreement"); any and all rents and other monies which are now or may hereafter be payable to Debtor on account of the Equipment and such agreements; and any and all guarantees, endorsements, warranties, indemnity agreements, maintenance agreements, insurance policies, or other agreements pertaining to such agreements or the Equipment, and any and all monies due or to become due and payable under the foregoing. As used herein, the term "account" shall have the same meaning as set forth in the California Commercial Code.

C. All proceeds of the foregoing Collateral. For purposes of this Security Agreement, the term "proceeds" includes whatever is receivable or received when Collateral or proceeds is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, all rights to payment, including return premiums, with respect to any insurance relating thereto, and all rights to payment with respect to any cause of action affecting or relating to the Collateral.

3. Obligations. The Obligations of Debtor secured by this Security Agreement shall consist of any and all debts, obligations and liabilities of Debtor to Secured Party rising out of, connected with or related to the Agreement, including, without limitation, the Note and the Letter and all amendments or extensions or renewals of the Note and the Letter and/or this Security Agreement, whether now existing or hereafter arising, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred.

4. Representations and Warranties. Debtor hereby represents and warrants that:

(a) except as contemplated in the Management Agreement, Debtor is the owner of the Collateral (or, in the

case of after-acquired Collateral, at the time Debtor acquires rights in the Collateral, will be the owner thereof) and that no other person, entity, agency or government has (or in the case of after-acquired Collateral, at the time Debtor acquires rights therein, will have) any right, title, claim or interest (by way of security interest or other lien or charge or otherwise) in, against or to the Collateral;

(b) all information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Debtor with respect to the Collateral is true and correct; and

(c) Debtor has the authority to enter into this Security Agreement and to be obligated under the terms of the Note and Letter, and any person signing this Security Agreement and/or Note and Letter has been duly authorized to sign the same.

5. Covenants of Debtor. In addition to all covenants and agreements of Debtor set forth in the Agreement, which are incorporated herein by this reference, Debtor hereby agrees:

(a) to do all acts that may be necessary to maintain, preserve and protect the Collateral;

(b) not to use or permit any Collateral to be used unlawfully or in violation of any provision of this Security Agreement, or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(c) to pay promptly when due all taxes, assessments, charges, encumbrances and liens now or hereafter imposed upon or affecting any Collateral;

(d) to notify Secured Party promptly of any change in Debtor's name or place of business, or, if Debtor has more than one place of business, its head office, or office in which Debtor's records relating to the Collateral are kept;

(e) to procure, execute and deliver from time to time any endorsements, assignments, financing statements and other writings deemed necessary or appropriate by Secured Party to perfect, maintain and protect its security interest hereunder and the priority thereof and to deliver promptly to Secured Party all originals of Collateral or proceeds consisting of chattel paper or instruments;

(f) to appear in and defend any action or proceeding which may affect its title to or Secured Party's interest in the Collateral;

(g) if Secured Party gives value to enable Debtor to acquire rights in or the use of any Collateral, to use such value for such purpose;

(h) to keep separate, accurate and complete records of the Collateral and to provide Secured Party with such records and such other reports and information relating to the Collateral as Secured Party may request from time to time;

(i) except as contemplated by the Management Agreement, not to surrender or lose possession of (other than Secured Party), sell, encumber, lease, rent or otherwise dispose of or transfer any Collateral or right or interest therein and to keep the Collateral free of all levies and security interests or other liens or charges except those approved in writing by Secured Party;

(j) to keep the Collateral in good condition and repair;

(k) not to cause or permit any waste or unusual or unreasonable depreciation of the Collateral;

(l) at any reasonable time and subject to the rights of any lessees of the Collateral, upon demand by Secured Party, to exhibit to and allow inspection by Secured Party (or persons designated by Secured Party) of the Collateral;

(m) to comply with all laws, regulations and ordinances relating to the possession, operation, maintenance and control of the Collateral;

(n) to keep and operate the Collateral solely within the continental limits of the United States;

(o) to place upon the Collateral appropriate identifying marks to indicate Debtor is owner and Secured Party is financier of the Collateral, if the Lessee of such Collateral requires its own markings on the Collateral;

(p) to insure the Collateral, with Secured Party named as loss payee, in form and amounts, with companies, and against risks and liabilities satisfactory to Secured Party, and Debtor hereby assigns the policies to Secured Party, agrees to deliver them to Secured Party at its request, and agrees that Secured Party may make any claim thereunder, cancel the insurance on default by Debtor, collect and receive payment of and endorse any instrument in payment of loss or return premium or other refund or return,

and apply such amounts received, at Secured Party's election, to replacement of Collateral; and

(g) without consent of the Secured Party, to permit any amendment, modification, termination, or assignment of the Management Agreement.

6. Authorized Action by Secured Party. Debtor hereby irrevocably appoints Secured Party as its attorney-in-fact to do (but Secured Party shall not be obligated to and shall incur no liability to Debtor or any third party for failure so to do) any act which Debtor is obligated by this Security Agreement to do, and to exercise such rights and powers as Debtor might exercise with respect to the Collateral, including, without limitation, the right to:

(a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral;

(b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral;

(c) insure, process and preserve the Collateral;

(d) transfer the Collateral to its own or its nominee's name; and

(e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral. Debtor agrees to reimburse Secured Party upon demand for any costs and expenses, including, without limitation, attorneys' fees, Secured Party may incur while acting as Debtor's attorney-in-fact hereunder, all of which costs and expenses are included in the Obligations secured hereby. It is further agreed and understood between the parties hereto that such care as Secured Party gives to the safekeeping of its own property of like kind shall constitute reasonable care of the Collateral when in Secured Party's possession; provided, however, that Secured Party shall not be required to make any presentment, demand or protest, or give any notice and need not take any action to preserve any rights against any prior party or any other person in connection with the Obligations or with respect to the Collateral.

9. Events of Default. Upon occurrence of any of the following (herein referred to as "Event of Default"), (except an Event of Default referred to in Subparagraphs (c)

and (d) below) the entire principal amount outstanding of the indebtedness described in Paragraph 3 hereof and accrued interest thereon shall at once become due and payable at the option of the Secured Party and upon the occurrence of an Event of Default set forth in Subparagraphs (c) and (d) below, such indebtedness shall automatically become due and payable:

(a) Debtor defaults in the payment of any installment of the principal of or interest on the Note as and when due and payable;

(b) Debtor fails to observe and perform each and every condition, covenant and obligation stated in this Security Agreement or the Obligations secured hereby which is to be observed or performed by it;

(c) The commencement by the Debtor of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Debtor or of any substantial part of its property, or the making by it of any assignment for the benefit of creditors or the failure of the Debtor generally to pay its debts as such debts become due or the taking of corporate action by the Debtor in furtherance of any of the foregoing.

(d) The filing of a petition against the Debtor in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Debtor or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such petition, decree or order unstayed and in effect for the period of sixty (60) consecutive days.

(e) Final judgment for the payment of money in excess of \$5,000.00 shall be rendered against Debtor and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed;

(f) Failure of Debtor to pay any tax, assessment, fine, imposition or other charge or claim, including, without limitation, claims of any contractor, subcontractor, laborer, materialman or supplier, which is unpaid, might become a lien or a charge upon the Collateral described in this Security Agreement;

(g) Failure of Debtor to observe each and every agreement to be observed by Debtor under the Management Agreement;

(h) Termination of the Management Agreement; or

(i) Default under any other agreement, note or obligation of Debtor, which Debtor has with the Secured Party, or any other financial institution.

10. Remedies of Secured Party. Upon the occurrence of any such Event of Default, Secured Party may, at its option, in addition to its rights under Paragraph 9 above, and without notice to or demand on Debtor and in addition to all rights and remedies otherwise available to Secured Party, do any one or more of the following:

(a) foreclose or otherwise enforce Secured Party's security interest in any manner permitted by law, or provided for in this Security Agreement;

(b) sell, lease or otherwise dispose of any Collateral at one or more public or private sales, whether or not such Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as Creditor may determine;

(c) recover from Debtor all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred or paid by Secured Party in exercising any right, power or remedy provided by this Security Agreement or by law;

(d) require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party;

(e) enter onto property where any Collateral is located and take possession thereof with or without judicial process; and

(f) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent Secured Party deems appropriate and in connection with such preparation and disposition, without charge, use any trademark, tradename, copyright, patent or technical process used by Debtor.

11. Priority of Security Agreement. The Management Agreement and United States Rail Services, Inc.'s authority

and rights thereunder, and all leases pertaining to the Collateral are subject and subordinate to Secured Party's security interest in the Collateral. The terms of this paragraph shall be reflected accordingly in all leases pertaining to the Collateral and in the Management Agreement.

12. Waiver of Hearing. Debtor expressly waives any constitutional or other right to a judicial hearing prior to the time Secured Party takes possession or disposes of the Collateral upon default as provided in Paragraphs 9 and 10 hereof.

13. Cumulative Rights. The rights, powers and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any statute or rule of law, the Agreement or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing Secured Party's security interest in the Collateral.

14. Waiver. Any forbearance or failure to delay by Secured Party in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. Debtor waives any right to require Secured Party to proceed against any person or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

15. Setoff. Debtor agrees that Secured Party may exercise its rights of setoff with respect to the Obligations in the same manner as if the Obligations were unsecured.

16. Binding Upon Successors. All rights of Secured Party under this Security Agreement shall inure to the benefit of its successors and assigns, and all obligations of Debtor shall bind its heirs, executors, administrators, successors and assigns.

17. Entire Agreement; Severability. This Security Agreement contains the entire security agreement between Secured Party and Debtor. If any of the provisions of this Security Agreement shall be construed as if not containing those provisions and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

18. References. The singular includes the plural. If more than one executes this Security Agreement, the term

Debtor shall be deemed to refer to each of the undersigned as well as to all of them, and their obligations and agreements hereunder shall be joint and several. If any of the undersigned is a married person, recourse may be had against his or her separate property for the Obligations.

19. Choice of Law. This Security Agreement shall be construed in accordance with and governed by the laws of the State of California, and, where applicable and except as otherwise defined herein, terms used herein shall have the meanings given them in the California Uniform Commercial Code.

20. Notice. Any written notice, consent or other communication provided for in this Security Agreement shall be delivered or sent by registered U.S. mail, with postage prepaid, to the following addresses:

Secured Party:
GOLDEN STATE SANWA BANK
300 Montgomery Street
San Francisco, California 94104

Debtor:
Mr. Norman Chapman
Security Pacific Leasing Corporation
One Embarcadero Center, Suite 710
San Francisco, California 94111

Such addresses may be changed by written notice given as provided herein.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first written above.


Debtor

GOLDEN STATE SANWA BANK

By 
Title Assistant Vice President
Secured Party

EXHIBIT "A"

Four tank cars as described below:

RUSX 265-267

Three 100 ton, 20,000 gallon DOT111A100W1 tank cars.
Built by ACF Industries, Inc. in 1979.

TGOX 2136

One 100 ton, 20,000 gallon DOT111A100W1 tank car.
Built by General American Transportation Corporation
in 1969.

STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN FRANCISCO)

On this 10th day of October, 1979, before me personally appeared Norman Chapman, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.



Rosalie Bennington
Notary Public

My commission expires

Jan. 21, 1983

STATE OF CALIFORNIA)
) SS.
COUNTY OF SAN FRANCISCO)

On this 10th day of October, 1979,
before me personally appeared James Alexander,
to me personally known, who being by me duly sworn, says
that he is the Asst. Vice President of Golden State Sanwa
Bank, that the seal affixed to the foregoing instrument is
the corporate seal of said corporation, that said instrument
was signed and sealed on behalf of said corporation by
authority of its Board of Directors, and he acknowledged
that the execution of the foregoing instrument was the free
act and deed of said corporation.



Rosalie Bennington
Notary Public

My commission expires

Jan 21, 1983